

**From:** David J. Wright [dwright@scfcu.net]  
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**To:** \_Regulatory Comments  
**Subject:** ANPR for Corporate Credit Unions

The following are my comments on the ANPR for Corporate Credit Unions.

I have read some of the comments posted on your web site. Most are angry. Some call for drastic action. ie fire someone or everyone but I found few that actually gave some constructive ideas on how to go about making needed changes.

There are many culprits in this situation. And yes I believe that a general house cleaning is probably in order.

Like many of the commenters, our Credit Union did not invest our excess funds in the Corporate system. We used the Corporate system only for overnight investing. We also did not use the Corporate system for ACH or other settlement procedures. We have direct access to the Federal Reserve for ACH and check processing. And yet we are being forced to pay for the bailout.

One alternative to the current structure of the bailout might be to come up with some average investment (based over some length of time) by natural person credit unions in the Corporate system and then spread the loss based on that average investment. I make this suggestion because it is the investments of the Corporates that are at the heart of the problem. Hence it only makes sense that natural person credit unions that relied on the Corporates as their primary outside investment depository be the ones that should bear the majority of the loss. You could also think of it in this manner. If one or more Corporates were to fail and be liquidated who would suffer the loss; the natural person credit unions that had funds invested in the corporates.

I believe that the credit union landscape is going to change drastically as a result of this debacle. There will be fewer credit unions. The general health of credit unions will suffer. The big credit unions will get bigger and the smaller credit unions will disappear. This trend will exacerbate the problem in coming years as the NCUSIF will face more "too big to fail" situations.

So to my suggestions.

1. I believe that US Central should be dissolved. There may have been a time when it was necessary, but that time has passed.
2. I believe that Corporates should not have overlapping fields of membership or be severely limited. A big part of the problem today can be traced back to the competition that the Corporates engaged in because they were fighting for members. I realize that this will mean roll backs and other drastic measures, but if we are going to be asked to pay dearly for this bailout then I feel as though we have right to expect and yes demand certain reformations. I also realize that this may mean a drastic cut back in the number of Corporates. So be it.
3. I believe that Corporates should be required to have much higher capital levels and I am not talking about capital that they get from the natural person credit unions. I am talking about capital as a result of making money. I realize that they all thought these MBSs and investment in Lehman

Brothers and the like were rock solid, but they have certainly been proved wrong. Had the Corporates been required to have much higher levels of **ACTUAL** reserves they might not have played fast and loose with our money and the losses that we are facing today would not be as large.

4. I believe that the Corporates have gotten into ancillary businesses that they should not be in. US Central has 4 separate subsidiaries. I went to the Members United's site and see at least 3 subsidiaries. Again they got into these businesses because they were trying to woo potential members. Corporates should be required to divest themselves from everything except the most basic of monetary services to their members.

Here I should note that, as I said above, we did not use the Corporate system for long term investing. This was not a popular decision amongst credit unions since we were not investing in the "credit union system". I think it is time we all realized that credit unions are part of the US Banking system. We are not an island unto ourselves.

5. I believe that undue influence by CUNA and the Leagues has been exerted on US Central and the entire Corporate System to its detriment. I believe that Corporates Board of Directors should be limited to natural person credit union representatives. There is no justifiable reason why a board seat at any corporate should be held for a representative from a trade organization of ANY type. It is a blatant conflict of interest for these trade organization people to have seats on the board of a corporate.

6. I believe that a complete review of the permissible investments of a corporate should be undertaken. How in the world did a corporate end up with multi millions in Lehman Brothers? How did the corporate system end up with such a large concentration of MBSs? Even if the MBSs were highly rated common sense tells you not to put that many eggs into one basket.

I am sure that there are other suggestions that have merit. The bottom line is that the status quo is unacceptable. Major changes must be undertaken. The changes will be costly and will negatively impact many credit unions and many corporates. At the current time the rhetoric has reached a fever pitch. Hopefully that fever pitch will come down and a more sane and rational approach to the problems can be found and implemented.

David J. Wright

CEO  
Services Center Federal Credit Union  
Phone: 605-665-4309 (x125)  
Fax: 605-665-4314  
Email: [dwright@scfcu.net](mailto:dwright@scfcu.net)  
Web: [www.scfcu.net](http://www.scfcu.net)

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